

## Message Text

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PAGE 01 LONDON 06143 01 OF 02 161815Z

53

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SP-03 STR-08

TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 DODE-00 DOTE-00

FMC-04 CG-00 COA-02 DLOS-07 NSC-07 SS-20 L-03 H-03

PA-04 PRS-01 USIA-15 DRC-01 /163 W

----- 046509

R 161759Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0430

INFO USMISSION EC BRUSSELS

MARAD WASHDC

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E.O. 11652: N/A

TAGS: ETRN

SUBJECT: SHIPBUILDING INDUSTRY NATIONALIZATION

REF: CERP ECONOMIC ALERT LIST, WESTERN EUROPE MAY/AUGUST  
1974, UK Q NUMBER 6

SUMMARY: THE LABOUR GOVERNMENT IS DEVELOPING PLANS TO NATIONALIZE THE ENTIRE SHIPBUILDING INDUSTRY, SHIP MAIN ENGINE MANUFACTURING, SHIP REPAIRING AND THE PORT INDUSTRY. IT IS UNLIKELY THAT THESE NATIONALIZATIONS WILL TAKE PLACE IN THIS PARLIAMENTARY SESSION. THE TIMING OF PREPARATION OF CONSULTANCY AND WHITE PAPERS IS GEARED TO COINCIDE WITH A POSSIBLE DISSOLUTION OF PARLIAMENT IN THE FALL OF 1974.

1. SHIPBUILDING, GENERAL. THE LABOR GOVERNMENT CLERRLY INTENDS TO NATIONALIZE THE SHIPBUILDING INDUSTRY. MINISTER OF INDUSTRY, A. WEDGEWOOD BENN, HAS ADVISED ALL  
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PAGE 02 LONDON 06143 01 OF 02 161815Z

OWNERS AND THE INDUSTRY ASSOCIATIONS THAT HE WISHES TO

HOLD CONSTRUCTIVE TALKS WITH INDUSTRY OVER "HOW" THE NATIONALIZATION WILL TAKE PLACE, NOT "IF" IT WILL TAKE PLACE. BENN DOESN'T WANT A CONFRONTATION WITH THE INDUSTRY AND APPEARS TO EXPECT COOPERATION.

2. THE GOVERNMENT REALIZES IT HAS NO POWER TO TAKE OVER THE WHOLE INDUSTRY AT THIS TIME. IT COULD TAKE OVER AND AMALGAMATE THE THREE YARDS IN WHICH IT HAS AN OWNERSHIP POSITION (I.E.) GOVAN SHIPBUILDERS 100 PERCENT, CAMMELL LAIRD 50 PERCENT AND HARLAND & WOLFF 47 PERCENT. WE ARE ADVISED THAT THE GOVERNMENT HAS NO INTENTION OF TAKING THEM OVER PIECEMEAL OR IN PART. WITH THE EXCEPTION OF HARLAND AND WOLFF, WHICH MAY GET SEPARATE TREATMENT, ALL OTHER YARDS--PROFITABLE OR UNPROFITABLE, NAVAL OR COMMERCIAL, LARGE OR SMALL, SCOTTISH, ENGLISH OR WELSH--WILL BE INCLUDED IN THE NATIONALIZATION SCHEME.

3. THE MAIN OPPOSITION TO SHIPBUILDING NATIONALIZATION IS EXPECTED TO COME FROM TWO SOURCES. THE FIRST IS SIR JOHN HUNTER, CHAIRMAN, SWAN HUNTER, WHO WILL SPEAK FOR THE FAMILY OWNED AND RUN SHIPBUILDERS. SWAN HUNTER APPEARS TO BE A PROFITABLE BUILDER WITH A GOOD ORDER BOOK, AND THUS HAS A GOOD IMAGE FOR THE COMMERCIAL YARDS. THE SECOND IS LORD ROBINS, CHAIRMAN OF VICKERS LTD. VICKERS IS A MAJOR INDUSTRIAL CORPORATION AND IS THE LARGEST OF THE NAVAL SHIPBUILDERS. LORD ROBINS HAS BEEN A TRADITIONAL OPPONENT OF NATIONALIZATION AND HAS PARTICIPATED IN MANY STUDIES AND ROYAL COMMISSIONS DEALING WITH THE NEEDS OF THE SHIPBUILDING INDUSTRY. SINCE THE GOVERNMENT BELIEVES THAT THE MAJORITY OF BRITONS EITHER SUPPORT NATIONALIZATION OF SHIPBUILDING OR ARE APATHETIC TO IT, THEY DO NOT FORESEE ANY MAJOR CHANGE IN THEIR PLANS, PROVIDED THEY HAVE THE MAJORITY IN PARLIAMENT.

4. COMMON MARKET ASPECTS. THE SHIPBUILDING POLICY DIVISION OF DEPT. OF INDUSTRY DOES NOT BELIEVE THAT THE EC STAFF IN BRUSSELS TAKES THE BRITISH CONCERN OVER THE UK

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PAGE 01 LONDON 06143 02 OF 02 161816Z

53

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SHIPBUILDING INDUSTRY VERY SERIOUSLY. WE ARE ADVISED THAT THE UK PLANS FOR UK SHIPBUILDING WILL NOT BE HAMPERED BY ANY CONCERN FOR EC CONSIDERATIONS.

5. NEW PROGRAMS. THERE DO NOT APPEAR TO BE ANY NEW PROGRAMS UNDER CONSIDERATION FOR THE NATIONALIZED BRITISH SHIPBUILDING CORPORATION. IMPROVEMENTS IN THE INDUSTRY ARE THOUGHT TO BE POSSIBLE PRIMARILY THROUGH BETTER MANAGEMENT.

6. TIMETABLE. DEPARTMENT OF INDUSTRY OFFICIALS ARE ADVISING MINISTERS TO CONTINUE DISCUSSIONS WITH INDUSTRY AND LABOR DURING THE SUMMER, TO PUBLISH A WHITE PAPER IN THE EARLY FALL AND THEN PROPOSE THE BILL IN PARLIAMENT. THIS TIMETABLE IS GEARED TO COINCIDE WITH A POSSIBLE GENERAL ELECTION IN THE FALL, WHEREIN SHOULD LABOR WIN A MAJORITY, THE NATIONALIZATION BILL WILL BE ENACTED. DESPITE THIS RECOMMENDED TIMETABLE, WE CANNOT ASSUME THAT A. WEDGEWOOD BENN, MINISTER DOI, WILL ACCEPT IT.

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PAGE 02 LONDON 06143 02 OF 02 161816Z

7. OTHER POTENTIAL NATIONALIZED INDUSTRIES. THE DEPT. OF INDUSTRY IS DEVELOPING A SCHEME TO TAKE OVER ALL OF THE SHIP MAIN ENGINE SUPPLIERS IN THE LOW SPEED STEAM AND DIESEL MARKET. GAS TURBINES AND HOVERCRAFT ARE EXCLUDED FROM THIS SCHEME. ANOTHER INDUSTRY UNDER NATIONALIZATION CONSIDERATION IN SHIP REPAIRING. DOI HAS DIFFICULTY WITH THIS ONE STARTING WITH THE DEFINITION OF WHAT A SHIP REPAIRER IS; THUS, THIS NATIONALIZATION MAY TAKE SOME TIME. THE NATIONALIZATION OF PORTS WHICH NEARLY TOOK

PLACE IN 1970 IS BEING REVIEWED AGAIN AND IS EXPECTED TO  
TAKE PLACE IN THE NEXT LABOR PARLIAMENTARY SESSION. THE  
ONLY CHANGES EXPECTED IN PORT NATIONALIZATION ARE (A)  
IT WILL INCLUDE ALL PORTS INSTEAD OF JUST THE LARGEST AND  
(B) THE BETTER RUN AND PROFITABLE PORTS MAY BE TAKEN OVER  
ON PAPER BUT RETURNED TO THE SAME MANAGEMENT TO OPERATE.

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